STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6854

Investigation into Central Vermont Public Service Corporation's Integrated Resource Plan	))	Hearing at Montpelier, Vermont May 10, 2005

Order entered: 9/6/2005

PRESENT: Ann Bishop, Hearing Officer

APPEARANCES: Morris L. Silver, Esq.
for Central Vermont Public Service Corporation

Aaron Adler, Esq.
for Vermont Department of Public Service

REPORT AND RECOMMENDATION REGARDING STIPULATION

I. INTRODUCTION

This Docket is an investigation of Central Vermont Public Service Corporation's ("CVPS" or "the Company") Integrated Resource Plan ("IRP") that was filed on May 21, 2003, and supplemented on January 21, 2004.[1] In this Proposal for Decision, I recommend that the Public Service Board ("Board") approve a Stipulation between CVPS and the Vermont Department of Public Service ("DPS") that was filed with the Board on March 25, 2005 ("Stipulation"),[2] except for Paragraphs 4 and 5 of the Stipulation. The Stipulation provides that, among other things: (1) the Board should approve CVPS's IRP; and (2) CVPS should include several specific items in its next Integrated Resource Plan. Paragraphs 4 and 5 of the Stipulation ask the Board to approve specific analytic methods that inform the decision-making processes included in the IRP. As explained further below, this would be contrary to the Board's March 9,

1. In this Order, I use the term "IRP" to refer to the combination of CVPS's May 21, 2003, Integrated Resource Plan (exh. CVPS-BWB-1), and the Revised Decision Analysis Supplement that CVPS filed on January 21, 2004 (exh. CVPW-BWB-2). I use the term "Original IRP" to refer just to CVPS's May 21, 2003, filing.

2. The Stipulation is attached to this Proposal for Decision as Attachment A.

2004, Order in this Docket. Therefore, I recommend that the Board not approve those two paragraphs.

II. PROCEDURAL HISTORY

CVPS filed its newest IRP ("Original IRP") with the Board on May 21, 2003. On July 2, 2003, an informal workshop was held during which CVPS presented a summary of the Original IRP. On July 23, 2003, a discovery conference was held during which CVPS explained in more detail the model it used to conduct the scenario analysis that is the basis of its Original IRP.

CVPS filed a Decision Analysis Supplement to its Original IRP on January 14, 2004, and a Revised Decision Analysis Supplement on January 21, 2004. On May 12, 1004, a technical workshop was held to discuss the decision-analysis component of CVPS's IRP.

On March 9, 2004, the Board issued an Order in this Docket clarifying what Board approval of CVPS's IRP, if granted, would mean. The early procedural history of this Docket is described on pages 1–2 of the March 9, 2004, Order, and need not be repeated in detail here.

On April 8, 2004, I conducted a status conference. On May 3, 2004, I issued a status conference memorandum that included a schedule for remaining proceedings in this Docket.

On June 16, 2004, I conducted a public hearing, using the Vermont Interactive Television Network sites in Bennington, Brattleboro, Lyndonville, Middlebury, Randolph, Rutland, Springfield, and St. Albans. Four members of the public spoke at the public hearing. The primary issues raised by members of the public related to:

- New England wholesale power market prices and the desire to avoid the high prices that California experienced a few years ago;
- the replacement of CVPS's Vermont Yankee and Hydro-Québec/Vermont Joint Owners ("HQ-VJO") contracts when they expire;
- the use of renewable energy;
- retail access; and
- CVPS's "Cow Power" program.

On July 14, 2004, CVPS prefiled testimony in support of the IRP.

After several extensions of time for negotiation, on March 25, 2005, the DPS filed a Stipulation between itself and CVPS.

On March 25, 2005, new Board Chairman James Volz sent the parties a memorandum disclosing that while he was Director of Public Advocacy for the DPS, he had general supervisory responsibility for the DPS's counsel of record in this proceeding, and inviting comments from the parties on whether he should participate as Board Chairman in this proceeding.

On April 28, 2005, the Deputy Clerk of the Board sent the parties a memorandum informing them that Chairman Volz had decided not to participate in this proceeding as Board Chairman.

On May 6, 2005, the Clerk of the Board sent the parties my questions on the Stipulation.

On May 10, 2005, I conducted a technical hearing on the Stipulation. At the hearing, CVPS and the DPS presented witnesses supporting the Stipulation. No party opposed the Stipulation.

Based on the evidence in this Docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

III. FINDINGS

A. CVPS's IRP

1. CVPS's IRP uses two different decision-making frameworks to analyze its supply options: scenario analysis and decision analysis. CVPS-BWB-1 and CVPS-BWB-2, generally.

2. Both decision-making frameworks use a range of load growth forecasts between -0.5 percent and 3 percent growth per year, with a base case forecast of 0.5 percent per year. Bentley pf. at 17–18; exh. CVPS-BWB-2 at 4.

3. Both decision-making frameworks take into account CVPS's existing supply resources, which are described in its IRP. Exh. CVPS-BWB-1 at 13–14, 17.

4. Both decision-making frameworks analyze two supply portfolio management strategies: "attrition" and "replacement." Attrition portfolios start with CVPS's existing supply portfolio, with new resources added for load growth and/or as components of the existing portfolio terminate. Replacement portfolios contemplate the sale of half or all of CVPS's Vermont Yankee

and HQ-VJO contract entitlements and purchase of resources to fit one of two scenarios. Bentley pf. at 13.

5. The attrition portfolios generally outperformed the replacement portfolios, using both scenario analysis and decision analysis. Bentley pf. at 24.

Scenario Analysis

6. In scenario analysis, resource investment strategies composed of various portfolios of options are evaluated over internally consistent, but very different futures. This analysis enables one to determine the portfolio strategy that is the most robust, that is, that performs the best, for several performance measures across a variety of imaginable, but unexpected changes. Exh. CVPS-BWB-1 at 1.

7. CVPS's IRP uses four scenarios. These scenarios represent somewhat extreme, "what-if" constructs that are expected to stress test the proposed plans. Bentley pf. at 14.

8. CVPS considered four basic types of resources in its scenario analysis:

- Spot market – short-term purchases at market rates;
- Fossil – a mix of coal, oil and gas generation;
- Renewable/Efficiency – a mix of renewable generation (with some fossil combined heat and power) and energy efficiency measures; and
- Market – a mix of resources similar to the New England average, representing broad market purchases.

Bentley pf. at 14.

9. The IRP characterizes each resource portfolio's performance for each scenario by measuring several key outputs:

- net present value of revenue requirements;
- retail electric rate levels; and
- ratio of capital investment to net present value revenue requirements.

The IRP measures each portfolio's performance by its relative ranking for each output value within a scenario and by the volatility of the output value for a portfolio over the range of scenarios. Bentley pf. at 14.

Decision Analysis

10. Decision analysis is a structured "process" that involves a logical, step-by-step approach to working through complex, and perhaps initially unstructured or even unclear, problems. Exh. CVPS-BWB-2 at 2–3.

11. The decision analysis portion of CVPS's IRP sought to answer the same questions posed in the scenario analysis portion of the IRP:

(1) should CVPS's supply portfolio be "turned over" in large part to capture the benefits of new resources, or should new resources be added to meet new needs from load growth and/or expected resource terminations; and

(2) when new resources are added to the CVPS supply portfolio is there value to adding renewable resources rather than typical market resources?

Bentley pf. at 16.

12. CVPS's IRP includes decision tree analysis representing key variables as branches with discrete probabilities. Branches protrude from nodes that can be either decisions or change events. For each branch of the tree, there is a levelized unit energy cost ($/MWh) to match the conditions of the branch. Each power cost value is rolled back according to the probability of each chance branch in the route back to the first decision node. The path of branches with the lowest expected value is marked to identify the best set of decisions. Bentley pf. at 16–17.

Energy Efficiency

13. CVPS's IRP states that the statewide Energy Efficiency Utility, rather than CVPS, is now responsible for delivering system-wide energy efficiency programs in CVPS's service territory. Exh. CVPS-BWB-1 at 12.

14. CVPS's IRP recognizes that CVPS retains the responsibility to conduct least-cost transmission and distribution system planning under the auspices of Distributed Utility Planning ("DUP"). Exh. CVPS-BWB-1 at 3.

15. CVPS's IRP states that the Company is currently a party to five Area-Specific Collaboratives that were formed to serve as ongoing settlement negotiations of DUP issues related to the resolution of target area supply problems. Exh. CVPS-BWB-1 at 3.

16. CVPS considers the Area-Specific Collaboratives now in progress to be part of its IRP and related IRP processes. Jones pf. at 27.

Transmission and Distribution ("T&D")

17. The essence of CVPS's transmission and distribution planning process is to capture cost-effective efficiency and reliability improvements on the transmission and distribution systems that are consistent with safety and environmental constraints. Bentley pf. at 5.

18. CVPS's T&D planning process consists of three main steps:

- orientation – the problem is identified, information is gathered, coordination is organized, and a study scope and time-line are identified;
- study development and analysis – necessary methods, tools, and data requirements are identified to solve the problem, alternatives are identified and studied using representative system models to perform loadflow analysis, engineering calculations, and economic analysis as appropriate;
- decision-making and action – results are reviewed, recommendations are supported, a proposed project is implemented and actual impacts are evaluated and monitored as necessary.

Jones pf. at 4.

19. CVPS's T&D planning process takes place through analyses of three different aspects: efficiency analysis, reliability analysis, and DUP analysis. Jones pf. at 3.

20. Efficiency analysis considers opportunities to add cost-effective improvements to CVPS's system and reduce losses of power over T&D lines. Jones pf. at 20.

21. A complete efficiency analysis involves building and calibrating a highly detailed model that accurately represents the area being studied. This model is then manipulated to evaluate loss reductions associated with various efficiency options (such as reconductoring a main line, adding capacitor banks, converting the voltage, or balancing the circuit). Jones pf. at 22–23.

22. Reliability analysis looks to improve system performance during outage conditions. Jones pf. at 23.

23. Reliability analysis includes both a deterministic planning analysis involving the review of system performance on the basis of computer loadflow simulations and using specified system

performance criteria, and a probabilistic planning analysis which places more emphasis on the likelihood of the occurrence of a contingency and the severity should it occur. Jones pf. at 23.

24. DUP analysis looks for cost-effective alternative solutions, such as energy efficiency and distributed generation, to solve T&D supply problems. CVPS currently performs DUP analysis in five Area-Specific Collaboratives. If new supply problems emerge, CVPS will apply the Form for Selection of Distributed Utility Planning Areas developed in Docket 6290 to determine whether DUP is required for those new areas. Jones pf. at 25–28.

Action Plan

25. CVPS's IRP includes an action plan that describes the actions the Company intends to take to implement its IRP over the next three years. These actions are grouped into the following categories: power supply, energy efficiency, T&D, and integrated planning. Exh. CVPS-BWB-1 at 59–61.

26. CVPS's next IRP will describe the status of each step in this action plan and the actions CVPS has taken toward achieving each step. Tr. 5/10/05 at 28–29 (Bentley).

B. Stipulation

27. Paragraph 2 provides that, if paragraphs 6 through 21 and 23 of the Stipulation are approved, the Board should also approve CVPS's IRP, in accordance with the requirements of 30 V.S.A. § 218c. This approval encompasses the decision-making processes included in the IRP and does not include a review or approval of any particular decision or resource commitment entered into by CVPS or a determination that such decision or commitment is or is not prudent. Exh. Joint-1 at ¶ 2.

28. Paragraph 3 provides that if approved by the Board, CVPS's IRP should be used during its term to evaluate the compliance with 30 V.S.A. § 248(b)(6) of petitions by CVPS requesting the issuance of a certificate of public good. Exh. Joint-1 at ¶ 3.

29. Paragraph 4 provides that, during the term of this IRP, the scenario analysis and decision analysis described in the IRP are reasonable analytic methods that inform the decision-making processes contemplated under the IRP. The DPS agreed to this paragraph with the understanding

that this agreement in no way affects CVPS's continuing duties stated by the Board on pages 12 and 18 of its March 9, 2004, Order in this Docket.[3] Exh. Joint-1 at ¶ 4.

30. Paragraph 5 provides that, during the term of this IRP, the methods that CVPS has used to define the supply planning assumptions described in the IRP are reasonable methods that inform the decision-making processes contemplated under the IRP, and that the decision-making processes set forth in the T&D section of the IRP are reasonable. The DPS agreed to this paragraph with the understanding that this agreement in no way affects CVPS's continuing duties stated by the Board on pages 12 and 18 of its March 9, 2004, Order in this Docket. Exh. Joint-1 at ¶ 5.

31. The Stipulation requires CVPS to include many items in its next IRP, including:

- a description of the efforts and actions taken to date, and that CVPS plans to undertake in the future, to explore new opportunities to increase the value of and manage the Company's resource portfolio through purchases and sales with credit-worthy market participants or other appropriate hedging or risk-mitigating strategies or mechanisms;
- a description of actions CVPS is prepared to undertake to respond to unexpected contingencies involving its primary supply sources, including CVPS's plan for replacing the current Vermont Yankee and HQ-VJO contracts should such contracts be terminated or the resources otherwise become unavailable to CVPS prior to their current expiration dates;
- an evaluation of efforts to develop a diverse mix of resources to replace the Vermont Yankee and the HQ-VJO contracts when they terminate;
- an examination of portfolio alternatives to address the need to replace contracts that are terminating within the planning horizon, including but not limited to its Vermont Yankee and HQ-VJO contracts;
- an examination of the mechanisms to be used to build and implement CVPS's new portfolio over time, including but not limited to ownership, short- and long-term contracts, and various mechanisms for managing financial risk;

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3. Paragraphs 4 and 5 of the Stipulation refer to a March 18, 2004, Order in this Docket. There is no such order. However, on March 9, 2004, the Board issued an order that describes CVPS's continuing duties on pages 12 and 18. Therefore, I have assumed that the March 18, 2004, date included in paragraphs 4 and 5 of the Stipulation was a typographical error. If my assumption was incorrect, and CVPS and the DPS did not intend to refer to the March 9, 2004, Order in this Docket, they should so inform the Board in their comments on this Proposal for Decision.

- an evaluation of the effect, if any, of current ratemaking policy or methodology on the selection of the portfolio, including estimates of the cost of service and rates that are likely to result from the selected portfolio;
- an identification of the level of efficiency resources expected to be available from the Energy Efficiency Utility during the planning period;
- a description of the status of each ongoing Area-Specific Collaborative, including the progress made to date and planned future activities, as well as, to the extent feasible, how potential transmission and non-transmission solutions to the constraints being addressed in the Area-Specific Collaboratives may affect other portions of the IRP;
- for any Area-Specific Collaboratives involving CVPS that have terminated by the filing of CVPS's next IRP, an explanation of why the Area-Specific Collaborative terminated, a summary of the resolution reached, if any, and a statement regarding how any such resolution is reflected in the IRP;
- a description of CVPS's process for monitoring its T&D system and identifying areas potentially subject to DUP, including a statement of the monitoring CVPS has performed to date, the results of such monitoring, and CVPS's evaluation of each area identified by CVPS as potentially subject to DUP;
- an identification of any need for increased bulk transmission services from the Vermont Electric Power Company ("VELCO") to transport incremental power resources that are remote from CVPS's load, and a determination (made in consultation with VELCO) of the appropriate method by which to evaluate in-state resources in CVPS's planning studies;
- the results of an update to CVPS's studies on efficiency opportunities for its subtransmission circuits, and the resulting implementation plans; and
- a description of how CVPS's resource portfolio decision-making process identifies, evaluates and incorporates opportunities for strategic peak load management, demand response programs, direct load control programs, rate designs based on marginal cost, and other non-energy efficiency resources besides supply.

Exh. Joint-1 at ¶¶ 6–10, 14–15, 17–18, 20.

32. Paragraph 11 states that CVPS will provide the DPS with information requested by the DPS to perform tasks under paragraph 11 of the Memorandum of Understanding approved by the Board in its September 30, 1999, Order in Docket 5980,[4] including but not limited to:

4. Paragraph 11 of the Memorandum of Understanding approved by the Board in its September 30, 1999, Order in Docket 5980 states that the DPS will: (1) provide for formal evaluation of the energy efficiency programs

- power supply and transmission information to evaluate the design and deployment of energy efficiency programs approved by the Board for implementation by the Energy Efficiency Utility; and
- information on how wholesale energy prices and other locational marginal pricing may affect and inform the development and screening of potential system-wide demand-side opportunities.

Exh. Joint-1 at ¶ 11.

33. Paragraph 17 provides that CVPS will support VELCO in its planning efforts by making clear what incremental local resources it plans to rely on in serving load thereby potentially limiting the need for VELCO bulk transmission services. Exh. Joint-1 at ¶ 17.

34. In Paragraph 17, the term "incremental power resources" includes additional resources and replacement resources, including resources that might replace the Vermont Yankee and HQ-VJO contracts. Tr. 5/10/05 at 24 (Allen).

35. In Paragraph 17, the term "internal resources" refers to resources located within Vermont, regardless of whether they are located within CVPS's service territory or not. Tr. 5/10/05 at 24 (Allen); tr. 5/10/05 at 27 (Bentley).

36. Paragraph 18 provides that CVPS will update its studies on efficiency opportunities for its subtransmission circuits. Exh. Joint-1 at ¶ 18.

37. Paragraph 19 provides that future CVPS subtransmission and distribution efficiency studies will include consideration of all appropriate upstream avoided transmission, subtransmission, and distribution capacity. CVPS and the DPS will consult on the appropriate methods to be used to consider this capacity in efficiency studies. Exh. Joint-1 at ¶ 19.

38. The last efficiency analysis for CVPS's subtransmission system was completed in 1997. Since that date, there have been system configuration changes to CVPS's subtransmission system, along with changes in load and wire cost. Therefore, it is appropriate for CVPS to revisit that analysis. Tr. 5/10/05 at 28 (Jones); tr. 5/10/05 at 28 (Litkovitz).

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approved by the Board for implementation by the Energy Efficiency Utility; (2) update avoided costs used in Energy Efficiency Utility program and measure screening; and (3) update estimates of economically achievable energy efficiency potential. Docket 5980, Order of 9/30/99 at A-9.

39. Paragraph 21 provides that the term of the IRP that is the subject of this Docket commenced on the date on which it was filed with the Board and will run through January 1, 2007. Exh. Joint-1 at ¶ 21.

40. Paragraph 23 provides that CVPS will file its next IRP on or before January 1, 2007, and that CVPS will consult with the DPS as it prepares its next IRP. Exh. Joint-1 at ¶ 23.

41. Paragraph 23 also provides that CVPS and the DPS will meet quarterly on a calendar year basis through December 31, 2006, to discuss: (1) CVPS's portfolio management activities; and (2) CVPS's plans for replacing its current Vermont Yankee and HQ-VJO contracts should they be terminated prior to their current termination dates or at their current termination dates. Exh. Joint-1 at ¶ 23.

IV. DISCUSSION

30 V.S.A. § 218(c) sets out the statutory standard that CVPS's IRP must meet. Section 218(c) describes a "least cost integrated plan" as:

> a plan for meeting the public's need for energy services, after safety concerns are addressed, at the lowest possible present value life cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution efficiency, and comprehensive energy efficiency programs.[5]

The statute provides that the Board may approve a company's least-cost plan if it complies with the requirements of this definition.

After reviewing CVPS's IRP, the Stipulation, and the evidence in the record, I find that the Stipulation promotes the general good of the State and provides a reasonable basis for concluding that the requirements of 30 V.S.A. § 218(c) have been met.[6] Therefore, I recommend that the Board approve it (and, thereby, CVPS's IRP), except for Paragraphs 4 and 5.[7]

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5. 30 V.S.A. § 218(c)(a)(1).

6. Tr. 5/10/05 at 13–14 (Allen); tr. 5/10/05 at 14–15 (Bentley).

7. I discuss my reasons for recommending that the Board not approve Paragraphs 4 and 5 of the Stipulation in the following section.

I recognize that the Board has expressed concern with another stipulation concerning a different electric utility's integrated resource plan that required additional information to be included in that utility's next integrated resource plan. In that proceeding, the Board stated that the language of the stipulation suggested that the integrated resource plan being reviewed was incomplete and should not be approved.[8]

It is possible to make a similar argument regarding the Stipulation in this Docket. However, I am not persuaded by this argument for three reasons. First, many of the items to be included in CVPS's next IRP relate to actions that will be taken during the next few years, and therefore could not be included in the current IRP. For example, several items relate to planning for the replacement of the Vermont Yankee and HQ-VJO contracts at their current expiration date; this planning will begin in earnest during the term of this IRP. Similarly, no Area-Specific Collaboratives involving CVPS have terminated yet, so there is no information about terminated Area-Specific Collaboratives that could be included in the current IRP.

However, not all of the items to be included in CVPS's next IRP relate to future actions. Some of them do relate to information that CVPS should have, or actions that CVPS should have already undertaken or be in the process of undertaking. For example, CVPS should have information regarding the status of current Area-Specific Collaboratives, and CVPS should be prepared to take action in the event the Vermont Yankee or HQ-VJO contracts terminate or the resources otherwise become unavailable to CVPS prior to their current expiration dates.

This brings me to my second reason for not concluding that CVPS's IRP is incomplete and therefore recommending that the Board not approve it — the Stipulation requires CVPS to file a new IRP in less than 18 months. As the Board concluded in the case involving another electric utility that is described above,[9] I find that resources would be better spent in preparing a new IRP for review in 18 months, rather than further delaying approval of an IRP that was filed over two years ago, which would be the alternative.

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8. Docket 6896, Order of 6/15/05 at 6.

9. Docket 6896, Order of 6/15/05 at 6.

My third reason for concluding that CVPS's IRP is sufficiently complete relates to the fact that CVPS's IRP was the first IRP filed with the Board that used scenario analysis. This represented a new approach to integrated resource planning, and one that required a significant amount of effort to implement. At the request of the DPS, CVPS was also the first utility to file a decision analysis component to its IRP. CVPS's efforts to work collaboratively with the DPS (and with Green Mountain Power Corporation on the development of the four scenarios used in its IRP) are to be commended.

As illustrated by the Stipulation's requirements regarding CVPS's next IRP, CVPS can improve on this IRP in the future. However, I find this IRP to be a worthy first effort at using new approaches to develop an IRP that provides management, regulators, and CVPS's ratepayers with important and useful information regarding CVPS's planning processes. It is a foundation upon which CVPS can build in the development of its next IRP.

Paragraphs 4 and 5

I recommend that the Board explicitly state that it is not approving paragraphs 4 and 5 of the Stipulation. These two paragraphs ask the Board to approve specific analytic methods that inform the decision-making processes included in the IRP. In the Board's March 9, 2004, Order in this Docket, the Board explicitly stated that:

> If the Board approves Central Vermont Public Service Corporation's ("Central Vermont") Integrated Resource Plan ("IRP"), this approval will encompass the decision-making processes included in the IRP, but not the specific decision-making tools, analytic methods, or outcomes described in the plan.[10]

In other words, the Board has already determined that it will not approve specific analytic methods described in CVPS's IRP. The DPS's own witness testified that approval of paragraphs 4 and 5 would not be consistent with the Board's March 9, 2004, Order,[11] and the Stipulation itself provides that the agreement will not terminate if the Board does not approve paragraphs 4

10. Order of 3/9/04 at 18 (Order paragraph 2).

11. Tr. 5/10/05 at 18 (Allen).

and 5. No party presented evidence that persuaded me it would be appropriate to ask the Board to reconsider its March 9, 2004, Order, and I do not ask the Board to do so.

However, I note that paragraph 5 of the Stipulation also states that the decision-making processes set forth in the T&D section of the IRP are reasonable. This portion of paragraph 5 is consistent with the Board's March 9, 2004, Order. As quoted above, the Board determined that if it approved CVPS's IRP, that approval would encompass the decision-making processes included in the IRP. As a result, I clarify that even though I recommend that the Board not approve paragraph 5 of the Stipulation, if the Board accepts my recommendation to approve CVPS's IRP, that approval would extend to the decision-making processes set forth in the T&D section of the IRP.

V. CONCLUSION

In conclusion, I recommend that the Board approve the March 25, 2005, Stipulation between CVPS and the DPS, except for Paragraphs 4 and 5 of the Stipulation. This means that I am recommending that the Board approve CVPS's IRP as filed on May 21, 2003, and supplemented on January 21, 2004, including the decision-making processes incorporated in that IRP.

This Proposal for Decision has been served on all parties to this proceeding in accordance with 3 V.S.A. § 811.

DATED at Montpelier, Vermont this 23rd day of August, 2005.

s/Ann Bishop
Ann Bishop
Hearing Officer

VI. BOARD DISCUSSION

On August 12, 2005, the DPS filed comments supporting approval of the Hearing Officer's Proposal for Decision, except that the DPS recommends that the Board also approve paragraphs 4 and 5 of the Stipulation. The DPS acknowledges that those two paragraphs are inconsistent with the Board's March 9, 2004, Order in this Docket regarding the scope of IRP approval. However, the DPS argues that, as an incentive to producing a sound IRP, utilities should receive a greater reward than the limited scope of approval contemplated by the March 9, 2004, Order. The DPS characterizes the agreements embodied in paragraphs 4 and 5 of the Stipulation as "reasonable 'carrots' to encourage utilities to put meaningful effort into IRPs."[12]

On August 15, 2005, CVPS filed comments requesting that the Board approve paragraphs 4 and 5 of the Stipulation. In addition, or at least in the alternative, C VPS asks that the Board convene a "lessons learned" workshop among the utilities and interested parties to discuss utility IRPs. CVPS argues that it is looking for guidance from the Board on what techniques it should use when preparing its IRP. According to CVPS, paragraphs 4 and 5 of the Stipulation provide such guidance. CVPS also notes that the workshops conducted by the Board when it restarted integrated resource planning activities provided useful guidance to its efforts.

We are not persuaded by the parties' arguments regarding approval of paragraphs 4 and 5 of the Stipulation. Our March 9, 2004, Order clearly articulates our reasons for concluding that approval of CVPS's IRP, if granted, would encompass the decision-making processes included in the IRP, but not the decision-making tools or outcomes. We reaffirm that conclusion here.

We do find merit in CVPS's suggestion that we convene a "lessons learned" workshop among utilities and interested parties to discuss utility IRPs. Such an exchange of information has the potential to streamline the utility IRP development and review process, leading to approved IRPs that provide the maximum benefit to Vermonters. We will convene such a workshop.[13] However, due to resource constraints this fall, it is unlikely that this workshop can

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12. Letter from Aaron Adler, Special Counsel, DPS, to Susan M. Hudson, Clerk, Board, dated August 12, 2005, at 1.

13. The workshop will not be part of this or any other Docket. Attendees will not need to be represented by attorneys at the workshop; attendance by technical personnel will be encouraged.

be held before January. We will notify utilities and other interested parties as soon as the workshop is scheduled.

VII. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusions of the Hearing Officer are adopted.

2. The Stipulation filed March 25, 2005, between Central Vermont Public Service Corporation ("CVPS") and the Vermont Department of Public Service ("DPS") is approved, except for paragraphs 4 and 5, which are not approved.

3. Consistent with the Stipulation, CVPS's Integrated Resource Plan ("IRP") as filed on May 21, 2003, and supplemented on January 21, 2004, is approved. The term of this IRP shall be from May 21, 2003, to January 1, 2007.

4. CVPS shall file its next IRP on or before January 1, 2007.

5. CVPS's next IRP shall include:

- a description of the efforts and actions taken to date, and that CVPS plans to undertake in the future, to explore new opportunities to increase the value of and manage the Company's resource portfolio through purchases and sales with credit worthy market participants or other appropriate hedging or risk-mitigating strategies or mechanisms;
- a description of actions CVPS is prepared to undertake to respond to unexpected contingencies involving its primary supply sources, including CVPS's plan for replacing the current Vermont Yankee and Hydro-Quebec/Vermont Joint Owner ("HQ-VJO") contracts should such contracts be terminated or the resources otherwise become unavailable to CVPS prior to their current expiration dates;
- an evaluation of efforts to develop a diverse mix of resources to replace the Vermont Yankee and the HQ-VJO contracts when they terminate;
- an examination of portfolio alternatives to address the need to replace contracts that are terminating within the planning horizon, including but not limited to its Vermont Yankee and HQ-VJO contracts;
- an examination of the mechanisms to be used to build and implement CVPS's new portfolio over time, including but not limited to ownership, short- and long-term contracts, and various mechanisms for managing financial risk;

- an evaluation of the effect, if any, of current ratemaking policy or methodology on the selection of the portfolio, including estimates of the cost of service and rates that are likely to result from the selected portfolio;
- an identification of the level of efficiency resources expected to be available from the Energy Efficiency Utility during the planning period;
- a description of the status of each ongoing Area-Specific Collaborative, including the progress made to date and planned future activities, as well as, to the extent feasible, how potential transmission and non-transmission solutions to the constraints being addressed in the Area-Specific Collaboratives may affect other portions of the IRP;
- for any Area-Specific Collaboratives involving CVPS that have terminated by the filing of CVPS's next IRP, an explanation of why the Area-Specific Collaborative terminated, a summary of the resolution reached, if any, and a statement regarding how any such resolution is reflected in the IRP;
- a description of CVPS's process for monitoring its T&D system and identifying areas potentially subject to DUP, including a statement of the monitoring CVPS has performed to date, the results of such monitoring, and CVPS's evaluation of each area identified by CVPS as potentially subject to DUP;
- an identification of any need for increased bulk transmission services from the Vermont Electric Power Company ("VELCO") to transport incremental power resources that are remote from CVPS's load, and a determination (made in consultation with VELCO) of the appropriate method by which to evaluate in-state resources in CVPS's planning studies;
- the results of an update to CVPS's studies on efficiency opportunities for its subtransmission circuits, and the resulting implementation plans; and
- a description of how CVPS's resource portfolio decision-making process identifies, evaluates and incorporates opportunities for strategic peak load management, demand response programs, direct load control programs, rate designs based on marginal cost, and other non-energy efficiency resources besides supply.

6. CVPS shall provide the DPS with information requested by the DPS to perform tasks under paragraph 11 of the Memorandum of Understanding approved by the Board in its September 30, 1999, Order in Docket 5980, including but not limited to:

- power supply and transmission information to evaluate the design and deployment of energy efficiency programs approved by the Board for implementation by the Energy Efficiency Utility; and

- information on how wholesale energy prices and other locational marginal pricing may affect and inform the development and screening of potential system-wide demand-side opportunities.

7. CVPS shall support VELCO in its planning efforts by making clear what incremental local resources it plans to rely on in serving load, thereby potentially limiting the need for VELCO bulk transmission services. Exh. Joint-1 at ¶ 17.

8. CVPS shall update its studies on efficiency opportunities for its subtransmission circuits.

9. Future CVPS subtransmission and distribution efficiency studies shall include consideration of all appropriate upstream avoided transmission, subtransmission, and distribution capacity. CVPS and the DPS shall consult on the appropriate methods to be used to consider this capacity in efficiency studies.

10. CVPS and the DPS shall meet quarterly on a calendar year basis through December 31, 2006, to discuss: (1) CVPS's portfolio management activities; and (2) CVPS's plans for replacing its current Vermont Yankee and HQ-VJO contracts should they be terminated prior to their current termination dates or at their current termination dates.

Dated at Montpelier, Vermont, this 6th day of September, 2005.

_____)	
)	PUBLIC SERVICE
)	
s/David C. Coen)	BOARD
)	
)	OF VERMONT
s/John D. Burke)	

OFFICE OF THE CLERK

FILED: September 6, 2005

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.